

Department of Treasury and Finance

**To Outsource Fleet Management  
Services or Not?**



**Government of South Australia**

Department of Treasury  
and Finance



## To Outsource Fleet Management Services or Not?

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## Background

- In 2010, the South Australian Government announced three budget savings measures, one of those was titled ' Alternative Fleet Management Arrangements' or AFMA
- The AFMA savings measure was developed with the aim to reduce the fleet management administration costs to government
- The South Australian government fleet at the time of the savings measure announcement contained approximately 8,700 vehicles and a fleet workforce of approximately 50 FTEs
- Both Fleet Management and Vehicle Disposal were managed in-house, with a dedicated site for vehicle management and government auctions
- Fleet Management services to government agencies included whole of life vehicle management from procurement to sale
- Initial market research indicated that an external provider could potentially provide current services at a lower cost, and it was therefore decided to go to the market



## Background

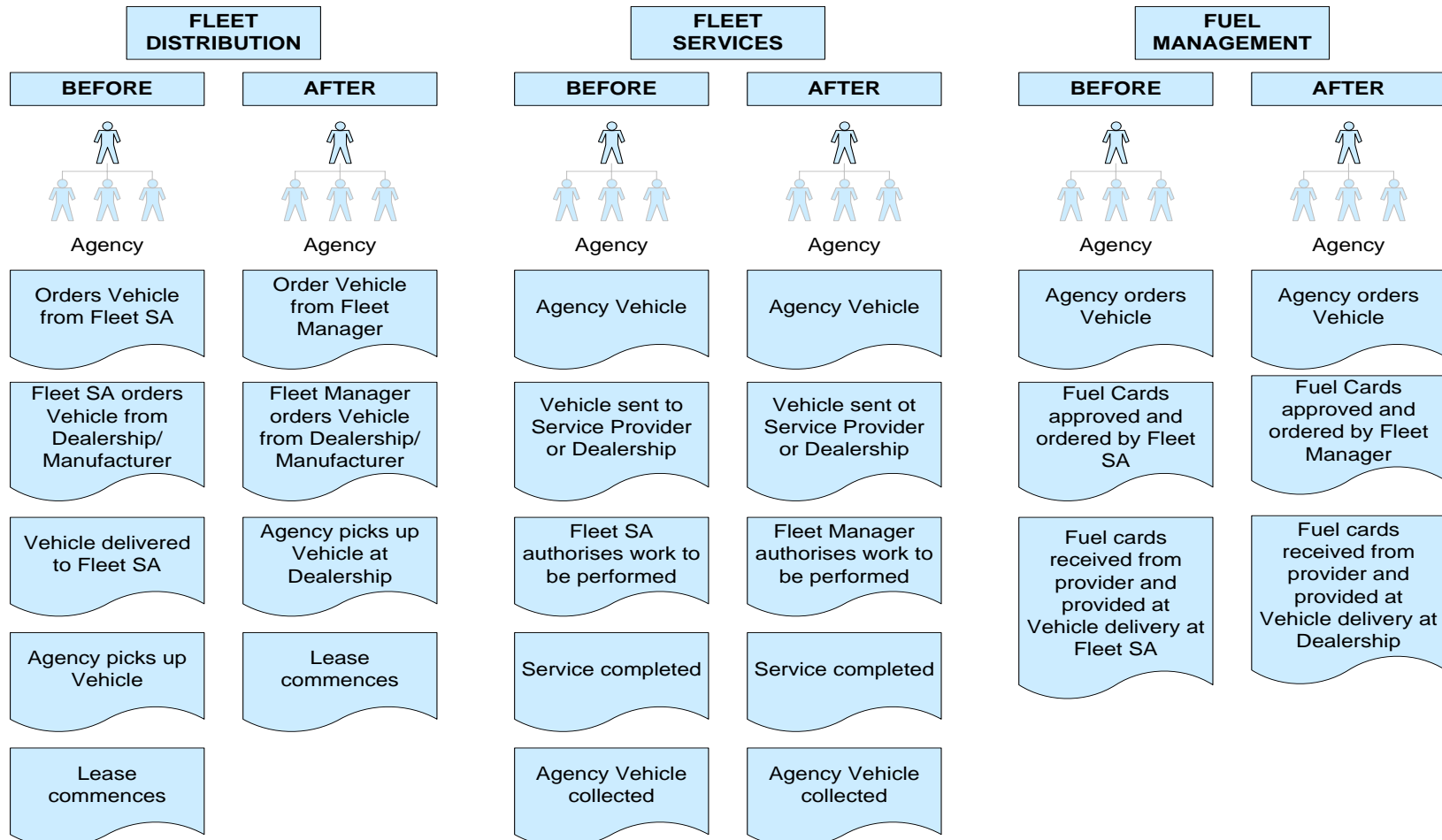
- A Request for Proposal (RFP) was released to the open market on 1 July 2011 to supply the South Australian government with Alternative Fleet Management (Components - All or Part) and / or Vehicle Disposal services
- The Fleet Management components were
  - Fleet Distribution (vehicle ordering and acquisition)
  - Fleet Services (vehicle servicing, maintenance, repair and breakdown assistance)
  - Fuel Management (fuel card management)
  - Accident Management (accident repairs and claim management)
  - Vehicle Pooling (short term hire vehicles)
- The Vehicle Disposal components were
  - Rectification, preparation and sale of vehicles at lease end



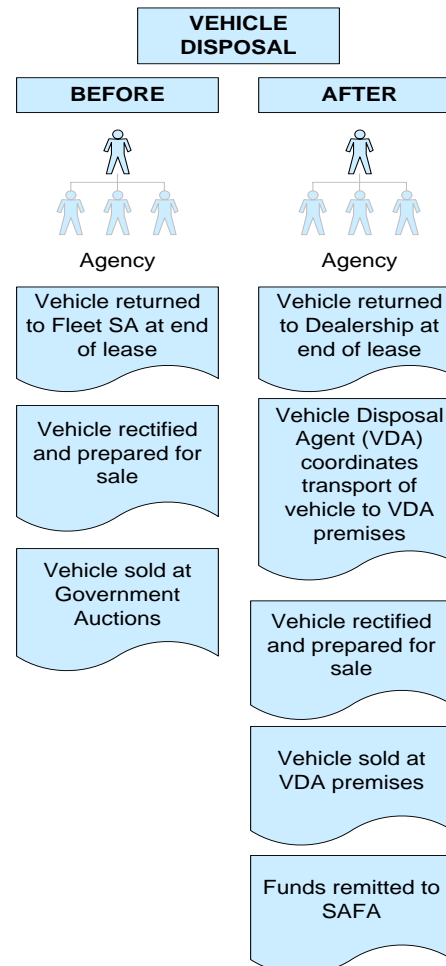
## AFMA Project Outcome

- The procurement process was completed in July 2012
- LeasePlan Australia was appointed as Agent and commenced on 1 December 2012 to provide the following fleet management components
  - Fleet Distribution (vehicle ordering and acquisition)
  - Fleet Services (vehicle servicing, maintenance, repair and breakdown assistance)
  - Fuel Management (fuel card management)
- Pickles Auctions was appointed as Agent and commenced on 10 October 2012 to provide the following vehicle disposal components
  - Rectification, preparation and sale of vehicles
- SAFA retained Accident Management (accident repairs and claims management) and the management of the Short Term Hire pool vehicles
- SAFA will continue to own and fund the South Australian government fleet vehicles accessing lower borrowing costs and therefore lower lease costs to agencies
- The budget savings target was met through a reduction in the fleet management fee per vehicle per month

# Fleet Management Model



# Vehicle Disposal Model





## Fleet Management – What is working well?

- Agencies have capacity to manage their own fleets more effectively through access to LeasePlan Online through the web portal
- Improved reporting capabilities through LeasePlan Fleet Reporting
- Improved vehicle enquiries with the ability to look at individual vehicle details
- Improved online individual vehicle quotes available to assist with the decision making process
- Improved online vehicle ordering with ability to return vehicles to motor vehicle dealers and to pick up new vehicle at the same time
- Vehicle fitouts now coordinated by motor vehicle dealers before delivery
- Fitouts and options now capitalised over the life of the vehicle
- Reduced lease rates to Agencies through lower administration component





## Vehicle Disposal – What is working well?

- Dedicated purpose built auction facility for SA government
- Dedicated SA government public auction live and via the internet through the Pickles national website
- Internet bidding is growing ([www.pickles.com.au](http://www.pickles.com.au)) and sale by Fixed Price is now available
- Improved system with ability to see Vehicle Inspection Reports and photos just after vehicle is checked in
- Vehicles are lotted within 24 hours of receipt and available for viewing by prospective buyers online through the website
- Lots are not limited to 120 vehicles, and have been as high as 150 per auction
- Vehicle data is automatically transferred to LeasePlan at point of check in
- The auctions are being well attended by members of the public and local sales are strong



## AFMA Project Reflection

- The project was separately resourced with a dedicated Project Manager
- The project was managed using strong project management methodology
- Governance was provided by a Steering Committee that included a staff representative
- Two separate project teams 'Business- As-Usual' and 'Transition'
- An industry advisor was engaged and contributed valuable input
- A dedicated HR resource located at our operational site was provided
- Conditions Precedent were included in both Agreements and proved invaluable to the implementation process



## AFMA Project Reflection

- The Change Management Plan included:
  - Presentations from the Employee Assistance Program provider such as 'Change and Me' and 'Leading and Managing Through Change'
  - Meetings with Unions which were held on site
  - Training for all staff was conducted on 'How to win that job', Interview Skills and Redeployment
  - The South Australian government superannuation fund, Super SA, gave a presentation to staff
- The Communications Plan to staff included a web page blog site, newsletters and face to face meetings
- The Stakeholders Engagement Plan included an across government agencies representative group and engagement with manufacturers and state wide suppliers



## AFMA Project Lessons Learnt

- Timing - Initial commencement date of 1 July was not practical (1 December was the outcome)
- Ensuring access to legal resources is paramount
- Consultation to not only stakeholders but other interrelationships such as ICT
- Management of business as usual along with the project was challenging
- Data transfer and reconciliation of lease rates and assets was a larger exercise than expected – transitioning an existing fleet V new fleet
- Transition from desk top to practical business application moving from theoretical to practical exposed some gaps
- Running two significant procurement exercises concurrently presented challenges in itself. However, having separate go live dates for the two providers assisted resource management
- Key person risk became evident during some stages of the transition



## Decision making considerations

- What are the true costs of managing your fleet?
- How are your overheads currently factored into your lease rates?
- Do you have the economies of scale to be competitive?
- Does your current fleet management system meet the requirements of your vehicle users?
- Can the new fleet manager or vehicle disposal manager continue to innovate and value add?



## If you decide to outsource

- How do you transition?
- Do you run out the fleet, or do you have a point in time change over?
- How will you manage historic data – for existing vehicles and replaced vehicles?
- What impact does it have on your ability to accurately manage FBT?
- What website functionality and suite of reports will ensure your customers get value add with the new arrangements without compromise?



# QUESTIONS?